

PROPERTY ASSESSMENT APPEAL BOARD
FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

PAAB Docket No. 2021-077-00540R

Parcel No. 090/04223-000-000

Manuel Cornell,

Appellant,

vs.

Polk County Board of Review,

Appellee.

Introduction

The appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on April 5, 2022. Manuel Cornell was self-represented. Assistant Polk County Attorney Jason Wittgraf represented the Board of Review.

Manuel and Brian Cornell own a residential property located at 147 34th Street, Des Moines, Iowa. Its January 1, 2021, assessment was set at \$587,500, allocated as \$106,500 in land value and \$481,000 in building value. (Exs. A & B). The property also receives an Urban Revitalization Abatement through 2030 resulting in an adjusted assessed value of \$540,600, allocated as \$106,500 in land value and \$434,100 in building value. (Ex. A).

Cornell petitioned the Board of Review claiming the property's assessment was not equitable as compared with the assessments of other like property in the taxing district. Iowa Code § 441.37(1)(a)(1)(a) (2021). (Ex. C.) The Board of Review denied the petition. (Ex. B).

Cornell then appealed to PAAB reasserting his equity claim and also claiming the property was assessed for more than the value authorized by law. Iowa Code § 441.37(1)(a)(1)(a & b) (2021).

General Principles of Assessment Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A. PAAB is an agency and the provisions of the Administrative Procedure Act apply. § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). PAAB may consider any grounds under Iowa Code section 441.37(1)(a) properly raised by the appellant following the provisions of section 441.37A(1)(b) and Iowa Admin. Code R. 701-126.2(2-4). New or additional evidence may be introduced. *Id.* PAAB considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-Vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption the assessed value is correct, but the taxpayer has the burden of proof. §§ 441.21(3); 441.37A(3)(a). The burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Compiano v. Bd. of Review of Polk Cnty.*, 771 N.W.2d 392, 396 (Iowa 2009) (citation omitted).

Findings of Fact

The subject property is a one-and-a-half-story brick home built in 1937. It has 1982¹ square feet of gross living area; a 1110-square-foot basement with 600 square feet of average-plus quality finish; two fireplaces; an open porch; two decks; and a 400-square-foot attached garage. The dwelling is listed in excellent condition with a 2+00 grade (high quality). A 576-square-foot detached garage was added in 2017 and is listed in normal condition. The property is also improved with a gazebo built in 2003. The site is 0.540 acres. The dwelling receives an urban revitalization tax abatement of \$46,900, reducing the net assessment to \$540,600. (Ex. A).

The Cornells purchased the subject property on October 5, 2020, for \$655,000. (Ex. D). Manuel testified the property was listed in July 2020. The Cornells used the

¹ An appraisal report submitted by the Board of Review reflected the subject as having 2258 square feet of gross living area and included a sketch addendum reporting the living area on the first and second floor of the subject. (Ex. E). The appraiser reported she had personally inspected the interior and exterior of the subject. This amounts to 276 more square feet than listed on the property record card. It is not clear from the record when the Assessor's Office was last allowed to inspect the interior of the subject.

services of a realtor and, according to Manuel, made an offer to purchase a week after viewing the property. The Cornells financed the purchase of the subject property and their lender obtained an appraisal. The Board of Review submitted the appraisal completed by Shannon Hayes of Rally Appraisal, LLC in which she opined an August 2020 market value of the subject of \$658,000. (Ex. E). The property record card reflects the previous owners purchased the property in 2016 for \$544,500. (Ex. A). Between 2017 and 2019 those owners improved the property with a detached garage, new landscaping, and new mechanicals; and sought and obtained an abatement for the value added by the improvements. (Ex. F).

Manuel testified he spoke with the prior owner about their 2019 protest. In that protest, the prior owner relied upon a property across the street, 150 34th Street, for comparison. The protest resulted in a \$55,500 decrease in the subject's assessment. (Ex. 1, p. 2). Manuel stated 150 34th Street has better features than the subject, but still has an assessed value per square foot (\$281.61) less than the subject's (\$296.42). This property has a 2021 assessment of \$721,500, but is larger than the subject and has a higher grade. It last sold in 2016. All else being equal, it can be expected that this 2562-square-foot property would have a lower per square foot assessed value than the subject's 1982-square-foot property based on the principle of diminishing returns.²

Manuel asserted his assessment was improperly driven by his sale price as opposed to an analysis of comparable sales. He was critical of the Board of Review's failure to provide him with comparable sales in the discovery process. (Ex. 3, Interrogatory Nos. 9, 10, & 12). He conceded, however, that his protest to the Board of Review was based solely on inequity and that he was unfamiliar with mass appraisal methodology.

² The law of diminishing returns is based on the premise that additional expenditures beyond a certain point will not yield a return commensurate with the additional investment. APPRAISAL INSTITUTE, THE DICTIONARY OF REAL ESTATE APPRAISAL 110-11 (5th ed. 2010). "Unit costs vary with size. All else being equal, unit costs decrease as building areas increase. This reflects the fact that plumbing, heating units, elevators, doors, windows and similar building components do not usually cost proportionately more in a larger building than in a smaller one and that other efficiencies and economies of scale may be realized." *Id.* at 547.

Manuel submitted a spreadsheet on which he reported all 2020 and 2021 sales of properties in the South of Grand and Waterbury neighborhoods. (Ex. 2). His testimony focused on six 2020 sales. The following table summarizes these properties.

Address	Gross Living Area (SF)	Grade	2020 Assessment	2020 Sale Price	2021 Assessed Value	AV/SP Ratio	2021 Assessed Value/SF
Subject	1982 ³	2+00	\$541,800	\$655,000	\$587,500	0.90	\$296.42 ⁴
1 – 134 37th St	2718	2+10	\$652,800	\$812,500	\$706,200	0.87	\$259.82
2 – 3701 Lincoln Place	2314	2+05	\$562,700	\$592,000	\$578,300	0.98	\$249.91
3 – 3419 St Johns Rd	3529	1+10	\$803,900	\$1,200,000	\$871,200	0.73	\$246.87
4 – 3833 Woods Dr	2038	2+00	\$442,500	\$465,000	\$453,300	0.95	\$222.42
5 – 4200 Foster Dr	1966	2-05	\$335,900	\$370,000	\$367,900	0.99	\$187.13
6 – 4160 Greenwood Dr	1993	2+00	\$332,500	\$397,000	\$360,100	0.91	\$180.68

Manuel asserts Sale 3 is most similar to the subject, despite it having 1547 square feet more gross living area, and its higher quality grade. He contends his assessment should be reduced to the same assessed value per square foot of this property, \$246.87, or \$489,296.34 for the subject's 1982 square feet. We note if the subject's square footage is 2258, this methodology would result in an assessed value of \$557,432.36.

The majority of sale prices listed by Cornell exceed the 2021 assessments. (Ex. 2). This is also demonstrated by the assessed values to sale price ratios for the above properties. The median assessed-value-to-sales-price ratio for all 2020 sales was 0.96; the mean was 0.90. (Ex. 2). For the sales upon which Cornell commented at hearing, the 2020 sales had ratios of 0.73 to 0.99. A ratio below 1.00 is indicative of assessments less than actual market value. In particular, the ratio for Sale 3 at 0.73 appears to be an outlier, or as Manuel reported the Board of Review termed an "anomaly." It can reasonably be expected this sale will prompt a closer analysis of this property's assessed value for the next assessment cycle.

The Board of Review did not call a witness and relied on its submitted exhibits.

³ Although the subject property's record card lists 1982 square feet of living area (Ex. A), the appraisal completed for Cornell's purchase lists above-grade living area as 2258 square feet. (Ex. E).

⁴ If the actual total square footage of 2258 was used, the assessed value per square foot of the subject would equal \$260.19

Analysis & Conclusions of Law

Cornell claims that the subject property's assessment was not equitable as compared with the assessments of other like property in the taxing district, and that the property is over assessed. § 441.37(1)(a)(1)(a & b). He bears the burden of proof. § 441.21(3).

In an appeal alleging the property is assessed for more than the value authorized by law under section 441.37(1)(a)(1)(b), the taxpayer must show: 1) the assessment is excessive and 2) the subject property's correct value. *Soifer v. Floyd Cnt. Bd. of Review*, 759 N.W.2d 775,780 (citation omitted). Under Iowa law, the subject property shall be valued at its actual value and is to be assessed at one hundred percent of that value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. § 441.21(1)(b). Market value essentially is defined as the value established in an arm's-length sale of the property. *Id.* "Sale prices of the property or comparable property in normal transactions reflecting market value, and the probable availability or unavailability of persons interested in purchasing the property, shall be taken into consideration in arriving at its market value." *Id.*

Cornell submitted a list of property sales. There is little information about these sales or these properties in the record. Moreover, the sales have not been adjusted to account for differences when compared to the subject. *Soifer*, 759 N.W.2d at 783. Cornell did not attempt to estimate his property's value based on these sales, but rather to show their assessed value per square foot.

The record contains two indications of the subject's actual or market value: the arm's-length purchase price of \$655,000 less than three months before the January 1 assessment date, and the appraisal of the property for \$658,000 completed for financing the sale transaction. Each of these valuations exceed the subject's assessed value of \$587,500. We therefore conclude the subject property is not assessed for more than authorized by law.

Under section 441.37(1)(a)(1)(a), a taxpayer may claim that their "assessment is not equitable as compared with assessments of other like property in the taxing district." To prove inequity, a taxpayer may show an assessor did not apply an assessing

method uniformly to similarly situated or comparable properties. *Eagle Food Centers v. Bd. of Review of the City of Davenport*, 497 N.W.2d 860, 865 (Iowa 1993). Cornell asserts that the assessed value per square foot of the subject compared to his comparable sales demonstrates inequity. However, differences in living area, condition, and grade come into play in the assessment process. Variations in site size and neighborhood also impact total assessed values. Generally speaking, even if all these factors are similar, a smaller property's unit valuation will be greater than a larger property. Moreover, simply comparing assessed values or assessed values per square foot is not a recognized method for demonstrating inequity under Iowa law. For the foregoing reasons, the record does not demonstrate any improper variation in assessment methodology among comparable properties and Cornell's claim fails under the *Eagle Foods* test.

Alternatively, a taxpayer may demonstrate inequity by showing the property is assessed higher proportionately than other like properties using criteria set forth in *Maxwell v. Shivers*, 133 N.W.2d 709, 711 (Iowa 1965). The *Maxwell* test provides inequity exists when, after considering the actual (2020) and assessed (2021) values of similar properties, the subject property is assessed at a higher proportion of its actual value. *Id.* This is commonly done through an assessment/sales ratio analysis comparing prior year sales (2020) and current year assessments (2021) of the subject property and comparable properties.

Cornell submitted 2020 sales of homes in the general vicinity of the subject property. A review of the selected properties Cornell focused on at hearing shows assessment/sale ratios ranging from 0.73 to 0.99; generally reflecting that assessments are below market values. The median ratio of the sales is 0.93 and the mean is 0.90.

Comparatively, using the subject's sale and its current assessment results in a ratio of 0.90. This ratio is below the mean and equal to the median assessment/sale ratios for the properties Cornell highlighted at hearing. Given the subject property, like most of the sales in the neighborhood, is assessed below its fair market value, we conclude Cornell has failed to show his property is inequitably assessed under *Maxwell*.

Viewing the record as a whole, we find Cornell has failed to prove his claims.

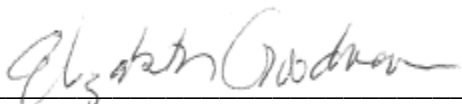
Order

PAAB HEREBY AFFIRMS the Polk Board of Review's action.

This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A (2021).

Any application for reconsideration or rehearing shall be filed with PAAB within 20 days of the date of this Order and comply with the requirements of PAAB administrative rules. Such application will stay the period for filing a judicial review action.

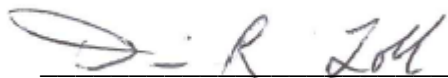
Any judicial action challenging this Order shall be filed in the district court where the property is located within 30 days of the date of this Order and comply with the requirements of Iowa Code section 441.37B and Chapter 17A.



Elizabeth Goodman, Board Member



Karen Oberman, Board Member



Dennis Loll, Board Member

Copies to:

Manuel Cornell by eFile

Polk Board of Review by eFile